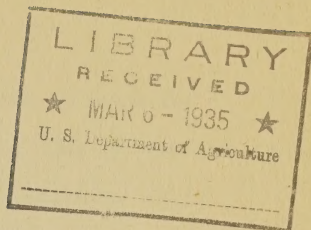


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COTTON IN THE NATION'S CROPPING PROGRAM

An address by Cully A. Cobb, Chief of the Cotton Production Section, Commodities Division, Agricultural Adjustment Administration, before the Southern Agricultural Workers' Association in annual convention at Atlanta, Georgia, Thursday, January 31, 1935.

In South Carolina a few years ago a young high school student was assigned to prepare an article on cotton production for presentation at the weekly forensic meeting of pupils in the higher grades. His teacher, instructing him on the preparation of his article, reminded him that virtually every child in that school knew from personal experience something about the production of cotton. The teacher suggested that he should take this knowledge of his audience into consideration in preparing his essay.

The young man evidently took this advice seriously for when the time came for his discourse he shuffled down the aisle, walked to the center of the stage, and began:

"Cotton," he said, "is a crop that you plant in the Spring and gin in the Fall." Whereupon, he walked from the stage and took his seat.

I feel today somewhat like that young South Carolinian because I know that you folks have probably been as close as anyone to the actual application of the Agricultural Adjustment Administration's cotton program -- the money crop of this great section of Nation. You know that for generations the economic ups and downs of the South have followed the

ups and downs of the price of cotton. You know the depths to which the cotton country sank in the midst of the great depression. You are familiar with the efforts of the Administration to reverse that situation. It is gratifying to realize that the South, which has cooperated so wholeheartedly in these efforts, is making greater progress on the way out of the depression than any other section of the country.

The purpose of the Agricultural Adjustment Act, which has made possible our cotton program, is "to relieve the existing national economic emergency by increasing agricultural purchasing power." The Act further declares that it is the policy of Congress "to establish and maintain such balance between the production and consumption of agricultural commodities, and such marketing conditions therefor, as will reestablish prices to farmers at levels that will give agricultural commodities a purchasing power with respect to articles farmers buy, equivalent to the purchasing power of agricultural commodities in the base period." The base period for cotton is the pre-war period from August, 1909, to July, 1914.

Under this Act, our immediate objective in the cotton program is to increase the income and purchasing power of producers, partly as a means of relief to them and partly as a means of stimulating general business recovery. It is our duty under the Act not only to re-establish parity prices to farmers but to maintain them as well. Another and more far-reaching objective is to readjust cotton production to the conditions of world demand that are likely to prevail. This will mean the development of a long-time program, so flexible that it may be adjusted from season to season as conditions of supply and demand warrant. The determination of the

policy to be followed in this long-time program must come from the South. It is a problem that must be fully considered by producers and by business men for in its solution lies the economic future of the South.

We have come a long way since the Administration initiated the cotton adjustment program in 1933 by aiding Southern farmers to take out of production 10,500,000 acres of growing cotton. This first effort reduced the world's supply of American cotton from a record figure of 26,000,000 bales to 24,600,000 bales. The average farm price of cotton for the 1933-34 crop rose to 9.7 cents a pound, as compared with an average of 6.5 cents per pound received for the 1932-33 crop. The farm value of the 1933-34 crop was \$717,007,000 as against \$483,912,000 in 1932-33. Including benefit payments and profits on options, the gross value of the 1933-34 crop was nearly \$880,097,000.

With this emergency phase of the situation out of the way, the Administration in January, 1934, launched its program for an adjustment of acreage normally planted to cotton in an effort to reduce further the price-depressing surplus. Approximately 1,004,000 producers contracted to keep about 15,000,000 acres out of cotton production. The reductions constituted about 38 percent of the base acreage of the contracting producers. The estimated total production on these fewer planted acres, made by the Crop Reporting Board on December 1, 1934, is 9,731,000 bales. The farm value of the 1934-35 crop, figured at the December 1 price, which is usually lower than the seasonal average, is \$756,420,000, including lint and seed. The rental and benefit payments to cooperating producers will total approximately \$115,000,000, making the gross farm value of the 1934-35 crop approximately \$871,420,000. Thus, for a crop of only

9,731,000 bales, the cotton farmers of the South are receiving under the adjustment program approximately the same return as they did for a 13-million bale crop in 1933. In addition, the two programs have eliminated approximately 6,000,000 bales from the burdensome surplus that depressed prices and brought misery, poverty and want.

The cooperating producers who brought about this improvement in the status of the cotton farmer foresaw during the 1934-35 sign-up campaign that something should be done to prevent non-cooperators from enjoying a "free ride" to improved prices. They held to the theory, and I think rightly so, that the benefits of the cooperative undertaking should accrue to the cooperators.

As a result of this sentiment, Congress passed the Cotton Act, commonly known as the Bankhead Act, and it was approved by the President on April 21, 1934. For 1934-35, the Bankhead Act provided that 10,000,000 bales of 500 pounds net weight each might be ginned free of the ginning tax which the Act levied. Tax-exemption certificates for this amount of cotton were allotted to individual farms on the basis of the production history of each farm. When the crop was made, some producers, because of varying production conditions, needed additional certificates, while others had surplus certificates for sale. To facilitate the transfer of these certificates, and to assure the man with a poor crop some return for his effort and cooperation, we established the National Surplus Tax-Exemption Certificate Pool. This Pool is now preparing to make a partial payment of approximately \$10 a bale on certificates surrendered to it for sale. In addition, approximately 40 percent of the surrendered certificates

will be exchanged for 1935 tax-exemption certificates and returned to their owners for use this fall.

During 1934, before the South-wide referendum on the Bankhead Act showed approximately 90 percent of the voters in favor of continuance of this measure in 1935, considerable criticism was directed at the Act. But to those familiar with Southern agricultural history, the Bankhead Act seems to be the logical culmination of more than half a century of striving and effort on the part of cotton producers to find an enforceable method of control. The cotton farmer has long since learned that as an individual, his efforts to adjust production are futile. The demand for the Bankhead Act was not by any means the first time the South had sought the compulsion of law to control cotton production. There is precedent as far back as the War between the States. In 1915, South Carolina adopted a law designed to limit cotton acreage to "6 acres to a plow". Several States passed control measures in 1927. Most of these were conditioned upon similar action by other States. This move failed for want of concurrent action by all States.

I look on the Bankhead Act as the development of years of groping after a plan. We do not claim it is perfect. In the light of a season's experience, we already have decided to make changes designed to remove some of the numerous difficulties which were encountered last year. And it is reasonable to expect that with more latitude for the Act this year, some of these difficulties can be avoided.

The Bankhead referendum is the first time in history wherein the cotton farmer was given opportunity to make his own choice. The

Bankhead referendum was the extension of the principle of democracy to the field of economics.

The primary objective of the Bankhead Act is to bring stability to production and to price. The violent fluctuation of price from 5 to 40 cents per pound has resulted in immeasurable injury, not only to the agriculture of the South, but to all of the people of the South and to the whole Nation. I believe I can honestly say that persons intimately associated with the South were not surprised at the tremendous vote in favor of continuance of the Bankhead Act in 1935.

I have attempted to remind you briefly of the high lights of the voluntary programs and the Bankhead Act. You are in the best position to judge for yourselves what cotton farmers and their Government, by working together, have accomplished. The price of cotton has risen from an average of 6.5 cents a pound in 1932 to above 12 cents a pound today. The record stocks of 26,000,000 bales have been reduced to less than 20,000,000 bales. Our farmers have received approximately the same return, despite the large surplus, for a 9,731,000 bale crop as they received in 1933 for a 13-million bale crop. This means, of course, they had fewer cotton acres to tend and less fertilizer to buy. It has given them more land and more time for diversification and improvement of their farms.

The Farm Credit Administration reports that farmers in Southern States have repaid more than 90 percent of the Production Credit Association and Emergency Crop loans. Some individual States, including Georgia and the Carolinas, have repaid more than 95 percent of these loans.

The Manufacturers' Record, in its January issue, lists these improvements in Southern agriculture and industry:

"Farm crops of the South for 1934 are valued at more than \$2,061,000,000. This is a gain of 16 percent over 1933 and 80 percent higher than in 1932.

"Southern manufacturing activity in 1934 was 30 percent greater than in 1933.

"New construction awards in the South totalled \$509,000,000, a gain of 34 percent over 1933 and the highest total since 1931.

"Investment in new Southern industrial projects, including new plants and manufacturing enterprises, was \$80,000,000, a gain of \$4,000,000 over 1933."

These are some of the major material accomplishments of the South, but I believe that the social and economic gains that have been made should be valued just as highly. We have recreated certain social values and have transformed the attitude of the South from despair to a new hope and faith.

We have seen more than a million cotton producers agree on a course of action and develop a method of economic self-government which has put money in their pockets and faith in their hearts. They have experienced the difficulties and complexities of the voluntary programs and the Bank-head Act, but through them have avoided the difficulties and complexities of cheap cotton and the poverty it inevitably brings. None of these things has been achieved by chance. It is no accident that cotton prices today are approximately twice what they were in 1932. It is by design, by the conscious effort of more than a million farmers working in unison on a

self-imposed program. They have found that in their cotton production control associations, as in the Bankhead referendum, that they now have a new democratic device, a process of economic self-government.

Southern farmers are studying and debating their economic, social and political problems now to an extent never before seen in any country. Out of this study and discussion they are developing a clearer understanding of their common problems. They are developing an intelligent purpose looking towards their economic and social betterment. They have a clearer vision of their goal and at least a fair idea of how to get there. In brief, they are planning their future betterment just as they plan their farming operations. They are looking squarely at facts and following the best course to meet them. They are developing a method whereby the people use foresight in deciding what to do in order to obtain a better South-wide condition of living. That's all there is to the "planning" of which so much has been said. If the Government can assist in promoting the general welfare, it is not only within the province of the Government to do so; it is the responsibility of the Government.

It is now our purpose to make secure the economic and social gains that have been made. If they are to be made secure, the sustained efforts of every individual concerned with the programs and of every cotton farmer are necessary.

We are still working towards the goal to increase agricultural purchasing power, notwithstanding the fact that it has increased greatly since the cotton program was started in 1933. This year's voluntary program and the Bankhead Act have as their goal increased agricultural purchasing power for cotton farmers. And we are attempting to carry out these two programs to the best of our ability.

One of the most serious threats to the successful continuation of our program is the growing demand on the part of some old producers, but mainly on the part of those who never grew cotton before, to be given a free hand to increase production at will. Land agents, mortgage companies, drainage districts, irrigation districts, rural relief works, are appealing to us daily and are bringing pressure upon Congress, urging a relaxation of control in their cases. Usually this is done on the ground that cotton is the only crop that can be produced at a profit and that if they are not permitted to grow cotton, all sorts of dire consequences will follow. It should be pointed out that it is profitable to grow cotton only because of the almost universal cooperation of legitimate cotton producers in a program that has succeeded in raising the price from 5 cents to 12 cents or more. This was not done by expansion of acreage. And expansion, uncontrolled or as special privilege, would result in the accumulation again of excessive supplies and a return to poverty prices and poverty conditions. So, however, well intended these efforts at expansion are on their face, if permitted, they would wreck our program. Therefore, they cannot be sanctioned. Fairness to those faithful old producers who have stuck to the game and have helped fight this program through to the success that has been achieved demands that they be protected against the type of exploitation here discussed. It is neither in the interest of the cotton-producing industry nor in the National interest to permit it.

In a program designed to increase the returns of American cotton growers, not merely for a single season but for a long period, it is necessary to determine the point to which cotton prices may be raised

without unduly stimulating foreign competition. Cotton production in this country has been developed to meet the demands of the world market. Ordinarily we sell more than half our crop abroad. Loss of this foreign market would force our cotton growers to cut their acreage to less than half its normal size. The Administration, in formulating its programs, has not ignored the possible effect on foreign competition. With an immense carryover in existence, however, the danger of causing important foreign expansion because of our own policies has not been imminent.

So far, the American cotton policy stands justified by its results. Foreign countries produced more cotton last year than they did a year ago but a large part of the increase no doubt would have occurred regardless of the cotton program in the United States, as the more than fifty foreign countries that grow cotton have been encouraging increased production for many years. Most of the increases that occurred this year represent a restoration of previous reductions, as in Egypt, or exceptionally favorable weather, as in Brazil. Doubtless some further acreage increases in Brazil and elsewhere are possible, if the world price got up high enough, but a very careful survey by the Bureau of Agricultural Economics concludes that further expansion of cotton acreage outside the United States is not likely to be a serious factor in the immediate future.

It is much easier for the United States than for the competing countries to adjust the output of cotton to a rising demand. No single area anywhere else in the world is so well adapted to cotton production as the Southern States. Our natural advantages in the production of this crop do not vanish when we eliminate the irregularities of supplies and

adopt a program of production control. Production control is not a matter of rushing from one extreme to another--but simply of continuing to adjust the production to the demand, foreign and domestic.

That is what we have tried to do in mapping our 1935 program. We feel that a combination of a 10,500,000 bale limitation under the Bankhead Act with a 25 to 35 percent reduction in our base acreage under the voluntary program will enable us to keep up our progress towards re-establishing and maintaining improved cotton prices. This should give us in 1935, under normal conditions, a crop of 11 to 11-1/2 million bales. This should, on August 1, 1936, after four years of downward adjustment, give a carryover of about 7-1/2 million bales, compared with a 13-million bale carryover and five-cent cotton when the program was started in 1933.

I think it quite evident that the great majority of Southern cotton farmers agree that we have a program that is sound. From the beginning, the cotton program has been a producer's program. When it ceases to be a producer's program, it is my conviction that it will cease to be effective. The producers realize that, with the aid of the Government, they at last have the power to do things for themselves. The man in the cotton field has gotten a break. He has had a taste of what cooperation can do. I doubt that he ever again will be satisfied with the haphazard economic methods that have put the South at the top one year and on the bottom the next. I think it high time that some of the professional beraters of the cotton program put their shoulders to the wheel so they may justly claim a share of the benefits of cooperation.

Now, from the National point of view, it is important and necessary, if possible, to produce cotton in what we have come to regard as normal

volume. The National agricultural plant is adjusted to this and there is no other crop to which the South can turn that fits its conditions so well or offers quite so much as cotton does, provided National policy, as it relates to international dealing, is of a character that will permit the profitable production of normal crops. Nothing is more important at this very moment than regaining our foreign markets for cotton. This calls for the removal of trade barriers and the development of adequate international commercial technique and institutions, and not for poverty prices to cotton producers as some are urging.
